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**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO. 1**

Annual Financial Statements

December 31, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/31/02

JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO. 1
General Purpose Financial Statements
As of and for the Year Ended December 31, 2001
With Supplemental Information Schedules

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Mike B. Gillespie, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board Member of the
Jefferson Davis Parish
Water & Sewer Commission No. 1
Lake Arthur, Louisiana

I have audited the accompanying general purpose financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) (a development stage entity), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with accepted auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of December 31, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, I have also issued my report dated June 21, 2002, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Commission. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the general purpose financial statements of the Commission. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



Certified Public Accountant

Jennings, Louisiana
June 21, 2002

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
(A Development Stage Entity)

PROPRIETARY FUND - ENTERPRISE FUND
(All Fund Types and Account Groups)
BALANCE SHEET
As of December 31, 2001

ASSETS

Current assets:

Due from other governments- USDA Grant

\$ 95,700

Total current assets

95,700

Restricted assets:

Cash and cash equivalents

37,288

Total restricted assets

37,288

Deferred charges:

Loan costs, net of amortization

56,160

Fixed assets:

Land

15,757

Construction in progress

3,002,049

Total fixed assets

3,017,806

TOTAL ASSETS

\$ 3,206,954

LIABILITIES AND FUND EQUITY

Current liabilities:

Contracts payable

\$ 98,443

Retainage payable

168,313

Accrued interest payable

23,430

Due to other governments

4,500

Current portion revenue bonds payable

8,010

Total current liabilities

302,696

Current liabilities payable from restricted assets:

Customer deposits

43,800

Total current liabilities payable from restricted assets

43,800

Noncurrent liabilities:

Revenue bonds payable, net of current portion

1,921,990

Total noncurrent liabilities

1,921,990

Total liabilities

2,268,486

Fund equity (deficit):

Contributed capital:

Federal government

943,200

Total contributed capital

943,200

Retained earnings (deficit):

Unreserved-undesignated - deficit accumulated

(4,732)

during the development stage

(4,732)

Total retained earnings (deficit)

Total fund equity

938,468

TOTAL LIABILITIES AND FUND EQUITY (DEFICIT)

\$ 3,206,954

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
(A Development Stage Entity)

PROPRIETARY FUND-ENTERPRISE FUND
STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 2001

OPERATING REVENUES:

Total operating revenues	\$ <u>-</u>
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EXPENDITURES

Operating services	4,051
Materials, supplies and repairs	<u>443</u>
Total operating expenses	<u>4,494</u>

OPERATING INCOME (LOSS)	(4,494)
--------------------------------	----------------

NON-OPERATING REVENUES (EXPENSES):

Interest income	<u>429</u>
Total non-operating revenues (expenses)	<u>429</u>

NET INCOME (LOSS)	(4,065)
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RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR	<u>(667)</u>
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RETAINED EARNINGS (DEFICIT) AT END OF YEAR	\$ <u><u>(4,732)</u></u>
---	---------------------------------

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER & SEWER COMMISSION NO. 1
(A Development Stage Entity)

PROPRIETARY FUND - ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2001

Cash flows from operating activities:

Operating income (loss)	\$ (4,494)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	-
Net changes in assets and liabilities:	
Decrease (increase) in accounts receivables	(95,700)
Increase (decrease) in accounts payable	266,756
Increase (decrease) in customer deposits payable	2,600
Increase (decrease) in accrued liabilities	23,430
Net cash provided (used) by operating activities	<u>192,592</u>

Cash flows from capital and related financing activities:

Proceeds from revenue bonds	1,930,000
Deferred charges incurred (net of amortization capitalized of \$472)	(53,362)
Construction (including capitalized interest costs of \$54,851)	(2,996,842)
Land acquisition costs	(15,757)
Contributed capital	943,200
Net cash provided (used) by capital and related financing activities	<u>(192,761)</u>

Cash flows from investing activities:

Interest income	<u>429</u>
-----------------	------------

Net increase (decrease) in cash and cash equivalents 260

Cash and cash equivalents at beginning of year 37,028

Cash and cash equivalents at end of year \$ 37,288

Cash and cash equivalents at end of year consist of:

Unrestricted cash	\$ -
Restricted cash	<u>37,288</u>
Total	<u><u>\$ 37,288</u></u>

The accompanying notes are an integral part of this statement.

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

INTRODUCTION

The Water and Sewer Commission No. 1 of the Parish of Jefferson Davis (Commission) was created by the Jefferson Davis Parish Police Jury pursuant to (LSA-RS 33.3811) in 1999. The Commission has the power and authority, within its boundaries, to establish, acquire, construct, improve, extend and maintain a waterworks system. The Commission is a subdivision of the State of Louisiana and may issue bonds and levy taxes in accordance with Article 6, Section 30.

Under the provision of LSA-RS 33:8812, the Commission shall be governed and controlled by five commissioners who shall be the governing authority of the district. These commissioners must be a resident of and own at least the five hundred dollars worth of real estate in the district, or they must be the representative of some corporation owning at least five hundred dollars in real estate in the district. These commissioners are appointed by the Jefferson Davis Police Jury. All commissioners shall serve at the pleasure of the authority which appointed them.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying general purpose financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Jefferson Davis Parish Police Jury is the financial reporting entity for Jefferson Davis Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

GASB Statement No. 14 established criteria for determining which component units should be considered part of the Jefferson Davis Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints a voting majority of the board and has the ability to impose its will on that organization, the commission was determined to be a component unit of the Jefferson Davis Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the commission and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING

The Jefferson Davis Parish Water and Sewer Commission No. 1 is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary fund type is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity is segregated into contributed capital (if any) and retained earnings components. Proprietary fund type operating statements present increases and decreases in net total assets. All proprietary funds are accounted for using the accrual basis of accounting. Their revenues

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

are recognized when they are earned, and their expenses are recognized when they are incurred.

Revenues

Interest earnings on time deposits with financial institutions are recorded when the time deposits have matured and the interest is available to the Commission.

Expenditures

Expenditures are generally recognized under the accrual basis of accounting. That is, they are recognized when they are incurred.

E. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and these investments with original maturities of 90 days or less. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana Law or any other state of the United States, or under the laws of the United States.

F. RESTRICTED ASSETS

These assets consist of cash restricted for various purposes as detailed in Note 4.

G. FIXED ASSETS

Fixed assets of the district are included on the balance sheet of the fund. Interest costs incurred during construction are capitalized. Depreciation of all exhaustible fixed assets are charged as an expense against operations. Fixed assets reported on the balance sheet are net of accumulated depreciation, exclusive of those reported under construction in progress. Since the district is still in the development stage while the plant and distribution system is under construction no depreciation expense has been recorded.

H. FUND EQUITY

Contributed Capital

Grants, entitlements, or shared revenues received that are restricted for the acquisition or construction of capital assets are recorded as contributed capital. Contributed capital is not

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

amortized based on the depreciation recognized on that portion of the assets acquired from such contributions.

Reserves

Reserves represent those portions of fund equity legally segregated for a specific future use. Upon completion and acceptance of the newly constructed system, the district will be required to maintain certain cash reserves as mandated by the loan agreement with the United States Department of Agriculture's Rural Development Division.

2. FUND DEFICITS

At December 31, 2001, the deficit accumulated during the development stage totals \$4,732. This is due to expenses incurred before any revenue producing operations could commence. The commission plans to eliminate the deficit when significant operations begin.

3. CASH AND CASH EQUIVALENTS

At December 31, 2001 the Commission has cash (book) balances totaling \$ 37,288 as follows:

Interest-bearing demand deposits	\$ 37,288
----------------------------------	-----------

At December 31, 2001 the Commission had \$ 34,638 in deposits (collected bank balances). These balances were fully secured from risk by federal deposit insurance.

4. RESTRICTED ASSETS

Assets were restricted for the following purposes as of December 31, 2001:

Customer deposits	\$ <u>37,288</u>
Total	\$ <u>37,288</u>

5. LONG-TERM DEBT

The long-term debt of the Commission consist of revenue bonds payable to the United States Department of Agriculture. Changes in long-term debt for the year are as follows:

		<u>Balance at 12/31/00</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance at 12/31/01</u>
Revenue Bonds Payable	\$	<u>-</u>	\$	<u>1,930,000</u>	\$	<u>-</u>	\$	<u>1,930,000</u>

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

Long-term debt a December 31, 2001 is comprised of the following:

\$1,765,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$57,362.50 due August 21, 2002, thereafter payable in monthly installments of \$6,671.70, including principal and interest, to August 21, 2041, interest at 3.25%.	\$ 1,765,000
\$165,000 US Department of Agriculture revenue bond, dated August 21, 2001, one interest only payment of \$7,425 due August 21, 2002, thereafter payable in monthly installments of \$749.10, including principal and interest, to August 21, 2041, interest at 4.5%.	165,000
	<u>\$ 1,930,000</u>

The annual requirements to amortize all debts outstanding including interest are as follows:

<u>Year Ending December 31</u>	
2002	\$ 29,683
2003	89,049
2004	89,049
2005	89,049
2006	89,049
2007-2011	445,248
2012-2016	445,248
2017-2021	445,248
2022-2026	445,248
2027-2031	445,248
2032-2036	445,248
Thereafter	415,568
Total Principal and Interest	<u>3,472,935</u>
Less Interest	(1,542,935)
Total Principal Payable	<u>\$ 1,930,000</u>

6. COMPENSATED ABSENCES

At December 31, 2001, the Commission had no full-time employees eligible for leave benefits.

7. RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. As of December 31, 2001, the Commission carried commercial insurance only for employee dishonesty. General liability coverage is maintained through a commercial insurance policy provided by the Jefferson Davis

JEFFERSON DAVIS PARISH WATER AND SEWER COMMISSION NO.1
(A Development Stage Entity)
Notes to the Financial Statements

Parish Police Jury. During the construction phase, contractor nonperformance and liability risk was protected by requiring each contractor to post a performance bond and a certificate of liability insurance coverage for approved contracts. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years or since inception of the Commission, which ever is less.

8. INTEREST COST

Interest costs recorded in financial statements consist of the following:

Interest paid	\$ 31,421
Interest accrued as payable	<u>23,430</u>
Total interest recorded	54,851
Less amount capitalized in construction in progress	<u>(54,851)</u>
Amount charge to expense	<u>-</u>

9. SUBSEQUENT EVENTS

Subsequent to December 31, 2001, the Commission received approval of an additional grant in the amount of \$710,000 and long-term financing in the amount of \$3,049,000 from the United States Department of Agriculture- Rural Utility System to fund the Phase II expansion of the water distribution system. Phase II will expand the distribution system westward and provide for an administrative office building.

Remaining contract commitments for Phase I engineering and construction are \$155,046 as of December 31, 2001.

SUPPLEMENTAL INFORMATION SCHEDULES

JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO. 1
Schedule of Compensation and other Expenses Paid to Commissioners
For the Year Ended December 31, 2001

Board Member

Gregory Bordelon	\$	0
Mike Perry		0
Don Johnson		0
Irving Jones		0
Raymond Brown		0
Chad Woods		0
John Juneau		0
		<hr/>
	\$	<hr/> 0

The entire board of commissioners served on a voluntary basis for the year ending December 31, 2001.

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO. 1**

**Additional Information Required by United States Department of Agriculture
For the Year Ended December 31, 2001**

1. Accounts receivable for sales of water were aged as follows:

Current	\$	-0-
Past Due		-0-
	\$	<u>-0-</u>

2. Estimated number of customers as of year end:

Residential	855
Commercial	28

3. Schedule of insurance in force was as follows:

<u>Policy No.</u>	<u>Company</u>	<u>Agent</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
68971927	Western Surety Company	Ed Cassidy Insurance Agency, Inc.	Employee Bond	\$166,000	2/24/01	2/24/02

Coverage maintained through policy purchased by the Jefferson Davis Parish Police Jury:

<u>Policy No.</u>	<u>Company</u>	<u>Agent</u>	<u>Type Coverage</u>	<u>Amount Coverage</u>	<u>Effective From</u>	<u>Date To</u>
GP09304084	St. Paul Fire & Marine Insurance	Daly Williams Agency, Inc.	General Liability	Occurrence \$1,000,000 Aggregate \$2,000,000	2/1/01	2/1/02

4. Schedule of approved water rates were as follows:

0 to 2,000 gallons are billed \$13.00 minimum

Consumption over 3,000 gallons is charged \$2.85 per every 1000 gallons thereafter

10% late fee is assessed on past dues

OTHER REPORTS

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO.1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2001**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture:			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 2,873,200
Total U.S. Department of Agriculture			<u>2,873,200</u>
Total Expenditures of Federal Awards			\$ <u>2,873,200</u>

See accompanying notes to schedule of expenditures of federal awards.

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO.1
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Jefferson Davis Parish Water and Sewer Commission No. 1 and is presented on the accrual basis of accounting, the same basis as the accompanying financial statements are presented. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All information is presented for the fiscal year ending December 31, 2001. Since some of the grants cover more than twelve (12) month periods, the amounts contained in the accompanying schedule of expenditures of federal awards may differ from the financial status reports filed with the grantor agency.

2. SUMMARY OF GRANT AND LOAN MONIES EXPENDED

The Water and Waste Disposal System for Rural Communities Program (CFDA No. 10.760) is designed to assist rural communities in obtaining safe drinking water and adequate waste facilities, which are a prerequisites for economic growth. Under this program, U.S. Department of Agriculture's Rural Utilities System awards direct loans and project grants for new and improved water and waste systems. The following is a summary of both grant and loan monies expended during the year ending December 31, 2001 as reported in the accompanying schedule of expenditures of federal awards:

Grant expenditures	\$	943,200
Loan proceeds expended		1,930,000
Total Expenditures of Federal Awards	\$	<u>2,873,200</u>

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO.1**

**SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2001**

**SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

No findings reported .

**SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

No findings reported.

SECTION III – MANAGEMENT LETTER

No findings reported.

Mike B. Gillespie, CPA

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Phone (337) 824-7773

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

To the Board Members of the
Jefferson Davis Parish Water & Sewer Commission No. 1
Lake Arthur, Louisiana

I have audited the general purpose financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) (a development stage entity) as of and for the year ended December 31, 2001, and have issued my report thereon dated June 21, 2002. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purposed financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of the Commission's board members, management, others within the organization, and the Louisiana Legislative Audit Advisory Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant
Jennings, Louisiana
June 21, 2002

Mike B. Gillespie, CPA

(A Professional Accounting Corporation)

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PO Box 1347, Jennings, LA 70546
Phone (337) 824-7773

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board Members of the
Jefferson Davis Parish Water & Sewer Commission No. 1
Lake Arthur, Louisiana

Compliance

I have audited the compliance of the Jefferson Davis Parish Water & Sewer Commission No. 1 (Commission) (a development stage entity) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. My responsibility is to express an opinion on the Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Commission's compliance with those requirements.

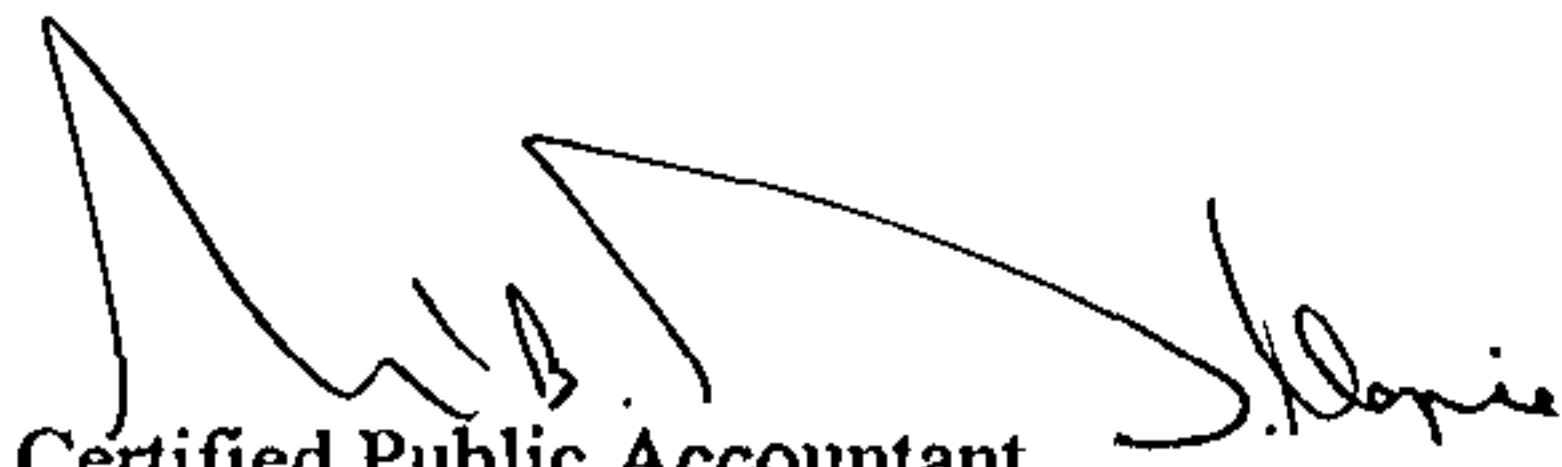
In my opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the Commission's board members, management, others within the organization, federal awarding agencies and pass-through entities, and the Louisiana Legislative Audit Advisory Council and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Certified Public Accountant

Jennings, Louisiana
June 21, 2001

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO.1
SCHEDULE FO FINDINGS & QUESTIONED COSTS
For the Year Ended December 31, 2001**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1.
2. No reportable conditions were disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Jefferson Davis Parish Water & Sewer Commission No. 1, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of internal control over major federal award programs in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the Jefferson Davis Parish Water & Sewer Commission No. 1 expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the Jefferson Davis Parish Water & Sewer Commission No. 1 are reported in Section III of this Schedule.
7. A management letter was not issued.
8. The programs tested as major programs included:

<u>CFDA No.</u>	<u>Program Name</u>
10.760	Water and Waste Disposal Systems for Rural Communities

9. The threshold used for distinguishing between Type A and B programs was \$300,000.
10. The Jefferson Davis Parish Water & Sewer Commission No. 1 did not qualify as a low-risk auditee.

SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Reportable Conditions – Current Year Findings:

None reported.

SECTION III –INTERNAL CONTROL AND COMPLIANCE MATERIAL TO MAJOR FEDERAL AWARDS

None reported.

**JEFFERSON DAVIS PARISH
WATER & SEWER COMMISSION NO.1
MANAGEMENT'S CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
For the Year Ended December 31, 2001**

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANACIAL STATEMENTS

No current year findings reported.

SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

No current year findings reported.

SECTION III – MANAGEMENT LETTER

No current year findings reported.

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THIS CORRECTIVE ACTION PLAN HAS BEEN PREPARED BY MANAGEMENT